

**MINUTES OF REGULAR MEETING
ILLINOIS GAMING BOARD
JANUARY 20, 1998
CHICAGO, ILLINOIS**

NOTE: ITEMS IN **BOLDFACE PRINT** REFLECT OFFICIAL BOARD ACTIONS

The Illinois Gaming Board ("Board") held its Regular Meeting on January 20, 1998 in the auditorium on the 5th floor of the State of Illinois Building, Chicago, Illinois, pursuant to the Illinois Open Meetings Act, 5 ILCS 120.

The following Board Members were present: J. Thomas Johnson, Chairman; and Members William B. Browder, Gayl S. Pyatt and Robert F. Vickrey.

Also in attendance were: Administrator Michael A. Belletire, Deputy Administrators Joseph C. Haughey, Kevin Lockhart and Thomas Swoik, Chief Legal Counsel Mareile' B. Cusack, other members of the staff, the media, the general public and interested parties.

Chairman Johnson called the meeting to order at 9:33 a.m. Member Browder moved **that the Board retire to Closed Session pursuant to Section 2(c), paragraphs (1), (4), (11), (14) and (21) of the Open Meetings Act, to discuss the following subject matters:**

- 1. Issues Concerning Applicants and Licensees**
- 2. Recommendations of Administrative Law Judges**
- 3. Litigation**
- 4. Investigatory Matters**
- 5. Personnel Matters**
- 6. Closed Session Minutes**

Member Pyatt seconded the motion. The Board adopted the motion by unanimous consent.

The Board convened in Open Session at 1:25 p.m.

Board Minutes

Member Pyatt moved **that the Board approve the minutes from the open and closed sessions of the December 1 and 2, 1997 regular meeting and the open and closed sessions of the December 16, 1997 special meeting.** Member Vickrey seconded the motion. The Board approved the motion unanimously by voice vote.

Chairman's Report

The Chairman noted two additions to the agenda. Under the Owner Licensee section of the agenda, Harrah's request for a preventive maintenance cruising waiver was inadvertently left off the agenda and will be placed under items for initial consideration. Under the Board Policy section of the agenda, Outside Counsel, William O'Connor, will give a preliminary report regarding a review he has undertaken and his proposed policy recommendations.

The Chairman stated that Harrah's Entertainment announced a definitive agreement to purchase Showboat, Inc. -- the majority owner of a property in East Chicago, Indiana. The Chairman directed the Administrator to meet with Harrah's officials to discuss the Board's concerns for Harrah's-Joliet continuing to be competitive with all gaming operations in its market area, including the Showboat property in East Chicago.

The Chairman reported that Circus Circus, the ultimate holder of a 50 percent interest in the Elgin Riverboat Resort, has announced the resignation of company Chairman and CEO, Clyde Turner. The Circus Circus Board has elected Michael Ensign as successor to Mr. Turner.

Administrator's Report

Administrator Belletire summarized the following monthly statistical reports: Adjusted Gross Receipts; Underage Patrons; Cruise Disruptions/Cancellations; Credit Issuance; and, Internal Control System changes.

The Administrator also reported that:

- Staff has met with officials from Harrah's and had a preliminary discussion regarding the Showboat acquisition and competitiveness between Illinois and Indiana.
- On January 5, 1998, Greate Bay Hotel and Casino filed for Chapter 11 bankruptcy. The bankruptcy does not directly affect HCC or HCA. The bankruptcy action could eventually lead to some changes in the supplier license relationship between HCA/HCC and Greate Bay Casino Corporation/PRT.
- As previously stated, the Missouri Supreme Court issued a ruling that potentially affects the (legal) operating status of six of Missouri's 11 riverboat casinos. The lawsuit that initiated this issue has been withdrawn in response to a decision by the Missouri Gaming Commission ("MGC") to take disciplinary action against the six "boat in a moat" operations. Several operators have now filed Court action to challenge the MGC's right to institute disciplinary procedures.
- The panel hearing the issue of the "fair market value" of the Baise/Lucas contracts has scheduled open hearing sessions for February 12, 1998 and February 16, 1998, as needed. The proceedings are open to the public.

Owner Licensee Items

SOUTHERN ILLINOIS RIVERBOAT CASINO CRUISES ("SIRCC") - Michael Ficaro and Patrick Madamba, representing SIRCC and Player's International, Inc., requested initial consideration for \$100 million of follow-on notes (the "Tac-on-Notes") to its existing \$150 million of 10 7/8% Senior Notes due 2005 (the "original notes"). Mr. Madamba stated that the underwriter for the transaction is Donaldson, Lufkin & Jenrette Securities Corporation.

Chairman Johnson requested that Mr. Madamba produce any documents reflecting significant changes well before the February Board meeting so the Board has time to analyze the information.

As a second matter, Mr. Madamba requested renewal of SIRCC's Owner's license.

PAR-A-DICE GAMING COMPANY ("PGC") - Donna More, representing PGC, requested renewal of its Owner's license. William Boyd introduced staff of PGC and Boyd Gaming. Mr. Boyd also introduced Jay Thompson the Director of Public Affairs of East Peoria.

Mr. Boyd discussed the five conditions set forth in 1996 as a condition of PGC's renewal. He informed the Board that: 1) Employees of both PGC and Boyd Gaming are fully aware that they must be in compliance with the terms of the Act and Board rules and that training programs have been developed to insure compliance. 2) Boyd Gaming has acquired the remaining 85 percent interest of the Treasure Chest Casino in Kenner, Louisiana. Boyd Gaming is now the sole owner of that property. 3) PGC participated in the patron survey completed in June, 1997. 4) PGC will continue to promote East Peoria and Peoria as tourist destinations. To meet this requirement, PGC has developed marketing programs directed at out-of-state patrons. PGC also works directly with both communities to promote tourism. For the period, November 1, 1996 through October 31, 1997 PGC's advertising and expenditures were approximately \$2 million. Of this amount approximately \$800,000 was directed to advertising in states other than Illinois. Mr. Boyd reported that overnight stays of non-Illinois residents have increased. For 1997 more than 22 percent of the approximately 55,000 room nights sold by the Par-A-Dice Hotel were purchased by out-of-state residents. 5) PGC has continued to patronize local and in-state vendors in the purchase of goods and services at levels comparable to the 1996 levels.

Maunty Collins, Senior VP and Director of Operations for Boyd Gaming, reviewed in detail the changes and improvements that took place at PGC and plans for the coming year. Mr. Collins stated that in 1997 PGC spent in excess of \$2 million in maintenance and capital expenditures which included the recently completed \$500,000 renovation of the pavilion interior. Additionally, for 1998 PGC has approved in excess of \$4 million in capital expenditures including \$2.5 million for improvements on the boat including new slot stands, stools, wall coverings and carpeting. Plans for Spring, 1998 include a redesign of the exterior pavilion to make it consistent with the hotel design and color scheme.

Mr. Collins stated that PGC has made many financial contributions over the last year, including donations to Bradley University in Peoria, to the Economic Development Council for the Peoria area and to the Filipi Foundation, Inc. (the charitable arm responsible for organizing and operating the East Peoria Festival of Lights). In August 1996 PGC contributed \$178,000 to the East Side Center, a multi-purpose sports and recreational center operated jointly by the City of East Peoria and the East Peoria Park District.

Member Vickrey asked about the average hotel occupancy rate. Mr. Collins stated that the hotel runs in the mid-70 percent range. Member Vickrey asked if PGC has plans to bury or re-route the electrical lines that run along the front of its property. Mr. Collins stated that a study has been done on this issue and PGC decided not to move the lines at this time as it would cost in excess of \$1 million to do so.

Member Vickrey asked Mr. Jay Thompson to discuss the riverboat revenues and what the City of East Peoria does with the revenues as they come in. Mr. Thompson stated that the revenues have allowed the city to assist in a couple of projects, such as, the multi-purpose sports park and the East Port Marina. The marina is a multi-million dollar project built north of the riverboat docksite. Also, \$1-2 million in city infrastructure improvements have been made. In response to Member Vickrey, Mr. Thompson stated that the marina is two miles from the riverboat.

Member Vickrey asked Mr. Collins if the marina is used as a marketing opportunity. Mr. Collins stated that the marina brings in people from the Chicago and St. Louis areas and some marketing has been done. Mr. Thompson also stated that PGC and the city are exploring opportunities for joint promotions.

Chairman Johnson asked what the effect has been on other hotel properties (besides the Par-A-Dice Hotel) in the Peoria metropolitan area. Mr. Collins stated that the Hampton Inn, adjacent to the casino site, was operating at 93-94 percent prior to the Par-A-Dice Hotel opening. It dipped into the 70 percent range but has since returned to the high 80 percent range. There are two other hotels in East Peoria undergoing extensive remodeling to recapture a piece of the market. They are concentrating in different areas than the Peoria Hotel.

Member Vickrey asked if revenues are shared with the City of Peoria. Mr. Thompson stated that the hotel revenue is not but the casino taxes are shared 50-50.

On a second agenda item, Mr. David Daley, representing PGC, requested approval for a preventive maintenance cruising waiver. Mr. Daley stated that the main engines/generators need overhaul work. The work was scheduled for completion in January/February 1998 when the boat is typically iced in. Mr. Daley further requested a waiver of the two meeting rule to approve the request.

Chairman Johnson clarified the intent of the Board regarding preventive maintenance requests. He stated that the Board would like to see "preventive" maintenance

scheduled, planned and presented to the Board in a timely manner. Chairman Johnson further encouraged the Board to waive the two meeting rule for all five licensees requesting preventive maintenance on today's agenda.

Administrator Belletire clarified that the request for a waiver of the two meeting rule was from Hollywood Casino Aurora, Par-A-Dice Gaming Company and Alton Gaming Company. All three licensees cooperated by submitting alternate dates.

Member Browder moved **that the Board waive the two meeting rule to consider the preventive maintenance plans submitted by Alton Gaming Company, Hollywood Casino Aurora, Par-A-Dice Gaming Company, Elgin Riverboat Resort, Casino Rock Island and Harrah's Casino.** Member Vickrey seconded the motion. The Board approved the motion unanimously by voice vote.

Chairman Johnson requested that Casino Queen's request for preventive maintenance be included in the all inclusive waiver motion.

Member Pyatt moved **that, pursuant to the Board resolution adopted in July of 1996, the Board approve the requests for a waiver of Board Rule 3000.510 submitted by the Alton Gaming Company, Hollywood Casino Aurora, Par-A-Dice Gaming Company, Elgin Riverboat Resort, Casino Rock Island, Harrah's Casino and Casino Queen to permit the conduct of gaming while remaining dockside while preventive maintenance is conducted on the riverboats. In granting this waiver the Board has considered the following:**

- 1. The work plans and the time requested by each licensee;**
- 2. Evidence that the riverboats must remain dockside for the planned maintenance to be completed;**
- 3. Evidence of the licensee's inability to postpone the repairs; and**
- 4. Efforts made by the licensees to perform the planned maintenance during times when the riverboat is normally docked due to inclement weather.**

Member Browder seconded the motion. The Board approved the motion unanimously by voice vote.

Administrator Belletire clarified for the Board the current Coast Guard policy with regard to hull inspections. The Coast Guard, through its Washington headquarters, provided clarifying directives indicating it is likely that a new Coast Guard policy will show that the dry docking requirements will not be eliminated for vessels but that a special set of circumstances will be considered when certain factors are present. Boats on the inland waterways that are not in very deep water will be subject to a different approach to inspecting their hulls rather than dry docking. A form of underwater examination, ultra-sound testing and special examination of the parts of the hull that are most vulnerable

to wear will be undertaken. A 30 month extension could be granted if the licensee passes all tests.

CASINO QUEEN, INC. - John Janicik, representing Casino Queen, requested approval of Roy D. Ligon as Director of Management Information Systems.

Member Pyatt moved **that the Board approve Roy D. Ligon as Level 1 Occupational Licensee of Casino Queen, Inc.** Member Browder seconded the motion. The Board approved the motion unanimously by voice vote.

PLAYERS/SIRCC - Michael Ficaro, representing SIRCC, requested approval of Lawrence Cohen as an Outside Director.

Member Vickrey moved **that the Board approve Lawrence Cohen as a Key Person of Southern Illinois Riverboat Casino Cruises.** Member Browder seconded the motion. The Board approved the motion unanimously by voice vote.

EMPRESS CASINO JOLIET - Michael Hansen, representing Empress, requested approval of Nelida Faccio-Robert as Chief of Security.

Member Browder moved **that the Board approve Nelida Faccio-Robert as Level 1 Occupational Licensee of Empress Casino Joliet Corporation.** Member Vickrey seconded the motion. The Board approved the motion unanimously by voice vote.

HARRAH'S CASINO JOLIET - Tom O'Donnell, representing Harrah's, requested approval of Timothy J. Wilmott as a Key Person.

Member Browder moved **that the Board approve Timothy J. Wilmott as a Key Person of Harrah's Casino Corporation.** Member Vickrey seconded the motion. The Board approved the motion unanimously by voice vote.

Supplier Licenses

MIKOHN GAMING CORP.

Member Vickrey moved **that the Board approve Seamus M. McGill and Donald W. Stevens as Key Persons of Mikohn Gaming Corporation.** Member Pyatt seconded the motion. The Board approved the motion unanimously by voice vote.

GDC, INC.

Member Vickrey moved **that the Board approve Roy W. Houston and Kenneth J. Lambe as Key Persons of GDC, Inc.** Member Pyatt seconded the motion. The Board approved the motion unanimously by voice vote.

Occupational Licenses

Member Pyatt moved **that the Board approve 111 applications for an Occupational License, Level 2, and 270 applications for an Occupational License, Level 3, and deny 3 applications for an Occupational License, Level 2 and 7 applications for**

an Occupational License, Level 3. Member Browder seconded the motion. The Board approved the motion unanimously by voice vote.

Complaints & Disciplinary Actions

Having reviewed the staff's report, Member Browder moved **that the Board issue a complaint for disciplinary action against Bobbie Smith and revoke her license.** Member Pyatt seconded the motion. The Board approved the motion unanimously by voice vote.

Board Policy Items

AGENCY RULES - Mareile' Cusack, Chief Legal Counsel, reported that on January 14, 1998 JCAR issued a "No Objection Certificate" to the proposed rules. Ms. Cusack asked the Board to authorize staff to submit these rules and definitions for final publishing with the Secretary of State. Once published the rules will become part of the final adopted rules.

Member Pyatt moved **that the Board approve the final publishing and adoption of the proposed definitions and rules presented by staff at this meeting and delegate to the Administrator the authority to make technical non-substantive changes in order to effectuate the final adoption of the definitions and rules.** Member Vickrey seconded the motion. The Board approved the motion unanimously by voice vote.

The Administrator stated that with the adoption of the new rules, staff has resolved the outstanding issues related to HP, Inc. and its filing in Circuit Court.

SPECIAL INVESTIGATION REPORT - William O'Connor, outside counsel for the Board, gave a report on possible inappropriate Gaming Board staff contact with certain applicants or potential applicants related to the East St. Louis license. Mr. O'Connor reported that on May 31, 1997 Senator Denny Jacobs introduced Senate Resolution 91 calling for "an investigation into allegations of collusion and conflicts of interest affecting the membership of the Illinois Gaming Board and the staff of the Board". In response to the filing of that Resolution the Board commenced its own inquiry into the facts surrounding the questions raised in the Resolution. Mr. O'Connor stated that he will submit a final report at the February, 1998 Board meeting.

Specifically, in his final report, he will report to the Board his factual conclusions regarding the Casino Queen licensing matter as they were raised in Resolution 91. He will cover the factual basis for the formulation of the Casino Queen investor group; the facts relating to the Gaming Board's role in site selection; and, a discussion of any Board communications with third parties regarding the licensing process. Mr. O'Connor also stated that he will give his recommendations regarding Board and staff licensing of Owner licensees.

Mr. O'Connor reported that his initial conclusion in this matter does not suggest any wrongdoing on the part of any Board or staff member in the East St. Louis licensing

matter. Mr. O'Connor stated that he has verified questionable communications between a member of the staff and potential investors. He observed that the questionable communications have to be viewed in light of the facts and circumstances which apply at the time that they were made.

Mr. O'Connor proposed that the Board consider uniform handling of communications and advisory information regarding the application process and the subsequent award of an Owner's license. Mr. O'Connor outlined several potential changes he will encourage the Board to consider.

PUBLIC COMMENTARY - Rev. Tom Grey addressed three issues of concern. Rev. Grey stated that the Jo Daviess County Board passed a resolution at its last Board meeting to authorize the County as a site for an Owner's license. Rev. Grey stated that the people of Jo Daviess County have not been asked whether they would support this action. He also reported that the \$3.1 million infrastructure that HP, Inc. put in has been sold for \$1.00 to the city of East Dubuque.

Rev. Grey noted that Owner licensees are complaining about the increase in taxes and are concerned that the tax increase is unfair, due to competition from neighboring states. Rev. Grey stated that his research shows that the competition is minimal. He suggested that if the Owners cannot afford their employees and expansion projects that the licensees should relinquish their license and let someone else try. Rev. Grey further noted that Indiana's Governor has called for a study to be completed to show the impact gambling has on the number of suicides and bankruptcies. The study is to be completed within the next year and he (Grey) looks forward to the results. He further asked that the Board look into pathological gamblers and the casinos that produce them.

Rev. Grey brought up the issue of Real Estate Investment Trusts ("REIT") and has heard that the movement now is for Owner licensees to use REIT's so they won't have to pay Federal taxes. Rev. Grey feels the Owner licensees will disperse income to its stockholders under REIT.

Rev. Grey concluded by complimenting the Board for its continued good work in regulating the gaming industry.

KEY PERSONS

The Administrator requested that the Board consider additional policy regarding a change of the scope of the Key Person definition and related Key Person investigations. He proposed that the Board limit the definition of a Key Person to individuals who have a direct relationship to an Illinois operation. This could reduce by as much as one-third, the number of Key Person applicants. He also proposed the Board intensify the background investigations currently done on Level 1 occupational licensee.

CODE OF CONDUCT

Ms. Cusack stated that staff recommend that the Board consider extending the Code of Conduct to include under the Post IGB Affiliation all state employees employed in the service of the Board. Ms. Cusack also asked that some clarifying language be added under the Application Section of the Code to further define and clarify what is meant by employees of the Board.

Member Browder moved **that the Board direct the Administrator to issue to all personnel an updated version of the Code of Conduct ("Code") and to incorporate in that revised version of the Code, changes which clarify the definition of employees of the Board to include all state employees in the service of the Board and extend the post-employment affiliation prohibition to all employees of the agency.** Member Pyatt seconded the motion. The Board approved the motion unanimously by voice vote.

NEW GAME REQUEST

The Administrator reported that the Casino Rock Island ("CRI") requested approval of the game of "War". The game will be offered under the trademark name Casino War™. The Administrator noted some staff confusion about the "house advantage" for this game. He stated that the game is marketed as having a house advantage of between 2.4 and 2.9 percent and that staff had some questions concerning this. The Chairman asked CRI to explain the percentages to the Board.

C.J. Graham, representing CRI, stated that a theoretical advantage is, in part, dependent upon the play of the player. Mr. Graham stated that there is a 1-2 payout once the player is at war the first time which creates the primary advantage for the house.

Pursuant to Board rule 3000.605, Member Vickrey moved **that the Board authorize "War" as an approved game. I further move that the Board direct the Administrator to include this game and the definition of this game on the list of Board-approved games and that this game not become authorized until reviewed by the Administrator.** Member Pyatt seconded the motion. The Board approved the motion unanimously by voice vote.

There being no further business to come before the Board, Member Browder moved **that the Board stand adjourned.** Member Pyatt seconded the motion. The Board approved the motion unanimously by voice vote and adjourned at 2:52 p.m.

Respectfully submitted,

Susan O. Weber
Secretary of the Board